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THE WHITE HOUSE
WASHINGTON

October 7, 1981

WS

MEMORANDUM FOR ED MEESE
JIM BAKER
MIKE DEEVER
DICK ALLEN ✓

FROM: MARTIN ANDERSON

MCA

SUBJECT: New Policy Proposals for Cancun Summit

At the risk of being labeled a "nitpicking bureaucrat" I'd like to point out a few aspects of the policy proposals submitted by State that the President should be aware of.

1) Multilateral Investment Insurance.

This plan has been kicking around in the bureaucracy for years. Now, under certain circumstances the U.S. insures the loss of a U.S. Company by expropriation:

Under the proposed multilateral scheme, the U.S. would be committed to pay a substantial part of the losses suffered by a foreign company. For example: An Italian company enters into a high-risk energy venture in Tanzania. Tanzania seizes the assets of the company there. U.S. taxpayers would pick up probably about 25% of the Italian company's loss.

It is also true that if a U.S. company, say Exxon, suffered expropriation losses, the other countries who are parties to the agreement would have to pay their share.

Anyway:

- a) It is a major departure from U.S. policy of insuring U.S. companies from political risk, to insuring foreign companies with U.S. taxpayers' dollars.
- b) It could cost as much as \$100 million to start, although you might pay for it by transferring funds out of OPIC.
- c) It is an increase in foreign aid to LDC's at a time when 84% of the American public wants to cut aid.
- d) It establishes a new multi-lateral organization just when we seemed to be moving toward more bi-lateral aid.

2) Incentives under Bilateral Tax Agreements.

It is impossible to get a precise estimate of what this

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THE WHITE HOUSE
WASHINGTON

✓
For Staff info

would cost, but you can get an idea of the outer limit on the cost. A 10% investment tax credit could result in a revenue loss of \$1 billion a year. (See attached OMB analysis)

Furthermore, the tax impact of such a policy would be uneven, and its magnitude would be effectively under the control of other countries.

3) Foreign Assistance Proposals.

The Agriculture, Energy and Private Sector proposals could total \$250 million, and it would be important to clearly state whether this is to be new funding, or is to come out of existing allocations.

Given the difficulty of estimating costs of fuzzy, open-ended programs like these, it does not seem unreasonable to suggest that this offering could add about \$1 billion a year to the foreign aid budget of the U.S.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

81 OCT-7 12:53
October 7, 1981

MEMORANDUM FOR: MARTIN ANDERSON
FROM: William Schneider, Jr. *Philip A. DuSault For*
SUBJECT: Budget Costs of Cancun Proposals

In response to your questions at yesterday's meeting, we have attempted to determine the cost of each of the proposed initiatives.

1. Multilateral Investment Insurance. As the proposal indicates, a sound facility would require reserves, funded by paid-in capital. If one assumes an initial multi-year program of \$1 billion, of which 40% would be backed by paid-in capital, and a 25% U.S. share, a payment of \$100 million from this country would be required. Our bilateral investment insurance program, OPIC, currently has total reserves of \$714 million (of which \$106 million was paid in by the U.S. Government and the balance is retained earnings). The \$100 million U.S. subscription could be transferred from OPIC's reserves, so that new government financing from general revenues would not be required. The payment to the facility would, however, result in outlays of \$100 million, directly affecting the budget deficit. A frequent criticism of the proposed facility is that U.S. funds would be used to finance insurance payments to foreign companies. The problem was reduced in designing a similar plan in the late 1960's by requiring that the first 25% of each insurance claim be paid by the government of the affected firm's home country (e.g., France would pay the first quarter of each claim made by a French company). The remainder would be financed from the pool.

2. Tax Incentives. The U.S. has historically maintained a policy of investment and tax neutrality, which would be undercut by tax options. In addition, past congressional resistance to similar proposals reflects the adverse domestic political implications of a proposal that may be seen as subsidizing run-away jobs. The cost of tax incentives provided through treaty is impossible to estimate since it would depend on specific terms and the number of treaties negotiated. However, it is possible to gauge the order of magnitude of the investment tax credit option, thus setting an outer limit on the cost of providing tax sparing through treaties. U.S. investment in developing countries increased by \$8.2 billion in 1980. If a 10% investment tax credit applying to all developing countries had been in effect, tax revenues would have been reduced by \$820 million. The revenue loss would increase to the extent that the credit induced additional investment. Increases in U.S. investment flows to developing countries since 1980 would likely put the current cost of the investment tax credit in excess of \$1 billion.

providing generalized tax sparing is clearly the most expensive option, but the cost cannot be estimated since it is uncontrollable. U.S. revenue losses would be determined by the magnitude of tax holidays provided by developing countries.

3. Trade Proposals. The cost to the United States (and the benefits to developing countries) of the trade proposals cannot be easily quantified, but meaningful steps toward free trade would be to the long-term benefit of both. None of the proposals in this area would cause significant budget expenses, but none represents a substantial immediate benefit to the developing countries.

There would seem little reason for the President to pledge at this time to seek extension of GSP, which does not terminate until 1985. That decision should be made in the light of conditions three years hence.

4. Foreign Assistance Proposals. These proposals fall into the areas of Agriculture, Energy and the Private Sector, and could total \$250 million. The time-frame for funding the programs is not specified, but we assume that they represent annual program levels which would begin in 1983. We recommend that if the proposals are accepted, it be with the explicit understanding that they will be carried out within existing foreign aid budget ceilings. This would involve displacing other programs which are of lower priority, which might create bilateral problems.

Agriculture. An earlier draft of the paper on agriculture estimated the cost of science and technology and policy assistance at \$100 million, most of which would be obtained from reallocations from other programs of lower priority. The President in March requested \$728 million for bilateral agriculture, rural development and nutrition programs in 1982. That amount has been reduced in the latest budget cutbacks, and additional reductions are scheduled for 1983 and 1984. The new program initiatives would thus replace existing programs in a lower overall funding level. The administering agencies should insure that the new proposals are of sufficient priority, substantively and politically, to warrant doing so.

Energy. AID has costed out the energy proposals at three "levels of effort," ranging from about \$10 million to \$144 million. We assume a significant energy initiative would cost about \$100 million. AID believes that most costs would be incremental to existing energy programs, so that funds would need to be reallocated from other sectors (e.g. health or education). The 1982 AID energy program request totalled \$108 million, so that the proposal would be roughly a doubling of the current proposed effort. As in the agriculture sector, AID's ability to affect LDC energy capabilities with this type of program should be carefully assessed. In this regard, we question the importance of strong support for the "program of action" of the U.N. Conference on New and Renewable Energy, which would be about a third of the total program. Some elements of the UN program, such as LDC energy assessments, have been tried bilaterally by the U.S. government and have been found ineffective.

Private Sector. The proposals listed would cost about \$40 million, consisting of a \$25 million co-financing fund, \$5-\$10 million for advisory services with the IFC and \$7 million for management and technical training. Private sector initiatives will be a new program in 1983, so resources would need to be reallocated from other sectors within the tight overall budget. These programs represent an important administration initiative but elements of them, such as the co-financing fund, need to be developed more fully before their effectiveness can be judged.

RECEIVED 08 OCT 81 11

TO ALLEN

FROM ANDERSON, M

DOC DATE 07 OCT 81

043811

KEYWORDS: CANCUN SUMMIT

ECONOMICS

SCHNEIDER, W

ENERGY

INTL INVESTMENT

INTL TRADE

SUBJECT: NEW POLICY PROPOSALS FOR CANCUN SUMMIT RE BUDGET COSTS

ACTION: FOR INFORMATION

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MARGARET D. TUTWILER
Office of James A. Baker III
456-6797

Cancun Summit Official "Class Photo"
Oct, 1981 Filed - On the Shelf # 16

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 - H - INTERNAL
 - I - INCOMING
- Date Correspondence Received (YY/MM/DD) 8/1/02

Name of Correspondent: Edward P. Boland

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Encloses letter from Nancy Petra, supports the Concord Summit, and requests information on the outcome of the Summit.

ROUTE TO:		ACTION		DISPOSITION		
Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>LA Frie</u>		<u>ORIGINATOR</u>	<u>8/1/02</u>	<u>m7</u>	<u>A</u>	<u>8/1/02</u>
		Referral Note:				
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- C - Comment/Recommendation
- D - Draft Response
- F - Furnish Fact Sheet to be used as Enclosure
- I - Info Copy Only/No Action Necessary
- R - Direct Reply w/Copy
- S - For Signature
- X - Interim Reply

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- B - Non-Special Referral
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DSP	_____	Time: _____	Media: _____

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- n - 4 - Dutch
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- n - 7 - Ronnie

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- n - 1 - Nancy Reagan
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- S - Sealed**
- T - Telegram**
- V - Telephone**
- X - Miscellaneous**
- Y - Study**

October 26, 1981

Dear Eddie:

This is to acknowledge your October 21 note enclosing correspondence from your constituent, Ms. Nancy Detra.

The Administration appreciates hearing from Ms. Detra and having the benefit of her views regarding the Cancun Summit, and please relay the President's thanks for her support.

With cordial regard, I am

Sincerely,

Max L. Friedersdorf
Assistant to the President

The Honorable Edward P. Boland
House of Representatives
Washington, D.C. 20515

MLF:CMF:MDB

Congress of the United States
House of Representatives
Washington, D. C.

October 21, 1981

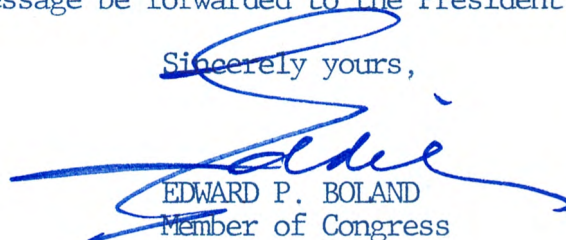
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Honorable Max L. Friedersdorf
Assistant to the President for
Legislative Affairs
The White House
Washington, D.C. 20500

Dear Max:

I have enclosed a letter which I recently received from one of my constituents, Nancy Detra. Ms. Detra strongly supports the Cancun Summit, and has asked that her message be forwarded to the President.

Sincerely yours,



EDWARD P. BOLAND
Member of Congress

EPB:so

Enclosure



Wilbraham
& Monson
Academy

WILBRAHAM, MASSACHUSETTS 01095 • 413-596-6811

October 14, 1981

Edward P. Boland
House of Representatives
Washington, D.C. 20515

Dear Congressman Boland,

I am very pleased that the United States will be taking part in the Cancun Summit later this month. Here is a chance for the people of the world, through their leaders, to join hands and commit themselves to the enormous project of overcoming poverty, hunger, and economic injustice around the globe.

Please send me information on the outcome of the Summit. I hope that you and your staff will find ways to bring this vital news to your constituency. I think that if more people learn of the effort made at Cancun, increasing numbers will join the effort to bring the U.S. solidly behind a policy of support for the solving of mutual problems of North and South.

Please let the President know that he has the enthusiastic support of a great many people in Massachusetts as he heads for Cancun next week.

Sincerely,

Nancy Smith Detra
Nancy Smith Detra

P.O. Box 72
Wilbraham, MA 01095

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COMMUNICATIONS SECTION
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SPECIAL REPORT

Foreign Media Reaction

October 14, 1981

Craig Fuller
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CANCUN ECONOMIC SUMMIT

Summary

Media in many countries around the globe devoted thoughtful and extensive discussion to the prospects for making the economic conference next week in Mexico a milestone in world economic cooperation.

Some editors expressed a measure of confidence that the very fact of such a worldwide gathering offered hope that the free world's economic differences could be aired and progress made toward understanding between haves and have-nots.

Others said pessimistically that while the occasion was momentous, little economic progress could be expected in a world divided between industrialized and developing countries.

Particularly in the third world, there were analysts who saw the United States as intransigent in promoting bilateralism in economic relations over global solutions along the lines of a new world economic order.

However, some hoped that this country would show some flexibility at Cancun.

There were regional emphases in comment. Observers in Commonwealth nations, which recently issued a call for a new era of North-South relations, looked to Cancun for a substantive dialogue.

The attitudes of some individual countries at the summit were forecast by economic writers.

* * * * *

REC'D. GA OCT 15 1981

1. The urgency of world economic problems makes this conferences one of the "last chances" for constructive action.

Mexico: "Attempt to Reach Solutions Embodies Hope for the Future"

Nationalistic Excelsior of Mexico City said October 14 that "the nations of the world ought to learn a new language, that of understanding....This is the summit's spirit...and although solutions are difficult to achieve, the mere fact that there is an attempt to reach them embodies hope for the future."

"The World's Last Chance To Opt for Fraternity and Friendship"

Moderate Novedades October 13 carried a columnist's view that "current world political circumstances and U.S. foreign policy...make this the world's last chance to opt for fraternity and friendship, without making major sacrifices."

"One of the Last Chances For World Leaders to Exchange Opinions"

Conservative Heraldo held October 13 that the summit is "one of the last chances for world leaders to exchange opinions and establish common interests."

Jamaica: "Last Chance to Agree on Global Measures"

Kingston's Daily Gleaner said October 10 that "while the United States and the United Kingdom may well reduce aid, we do not believe that the industrialized countries as a group can abandon the poor countries. The (Cancun conference) provides another opportunity for the rich and the poor to reach accord. There is a last chance to agree on effective measures to manage a global crisis which is worsening daily."

Ecuador: "Urgent Need for North-South Understanding"

In Quito, independent El Comercio on October 11 stated that "the urgency of an understanding between the industrial North and the poor South is obvious from reading the annual report on the world situation presented by the Secretary General of the United Nations. It is evident that there have been new crises, new centers of tension and that the existing problems have been aggravated."

Uruguay: "Negotiations Toward Interdependence"

Pro-Government El Pais of Montevideo on October 11 carried a by-liner's report from Mexico City asserting that "representatives of three-quarters of all humanity will demand again, at the Cancun Summit, changes in the world economy that will convert a relationship of dependence which only benefits the developed countries to one of interdependence of mutual obligation and benefit."

2. The summit is a momentous occasion, but little economic progress is expected.

Britain: "A Grand Occasion Likely to End in Tears"

The liberal London Guardian said October 3 that "the attitudes displayed at this week's annual meeting of the International Monetary Fund do not augur well for the success of the Cancun Summit later this month.

"Expectations have been raised and preparations made. Yet it is sufficient to contrast the fulsome appeals of Brandt and the developing world for more generous aid budgets with the words of President Reagan or our own (representative) in Washington to see that the grand Mexican occasion is likely to end in tears."

Japan: "Epoch-Making," But "One Cannot Be Optimistic"

Tokyo's financial Nihon Keizai on October 9 termed the summit an "epochmaking event" but added that "under present conditions one cannot be optimistic about whether or not it will produce a result better than that of the previous Conference on International Economic Cooperation....One must admit that the international environment surrounding the Cancun conference is worse than that of the previous conference."

Paraguay: "Perspectives Not the Most Encouraging"

Asuncion's Ultima Hora held on October 6 that "world economic and political perspectives are not the most encouraging....Consequently, the outlook is not good and this was demonstrated when Reagan himself asked the World Bank assembly to restrict conditions for loans, which brought strong polemics between representatives of the developed and undeveloped nations."

India: "Signals Onset of North-South Struggle"

New Delhi's left-of-center Times of India on October 13 ran a byliner's opinion that the Cancun Summit was likely to be "dull" but "momentous" because "it signals the onset of the North-South struggle, just as the Berlin Blockade of 1948 signaled the onset of the East-West conflict."

3. The United States is not as sympathetic to the needs of developing nations as it should be and will reflect this attitude at the summit.

Mexico: "Pressures on U.S. to Adopt Positive Attitude"

Leftist-nationalistic Unomasuno of Mexico City noted October 8 European leaders' concern about President Reagan's alleged lack of interest in development problems and said "the opinions emphasize both the significance of the summit and the risks it faces...and may also be understood as pressures on the Reagan Administration to adopt a positive attitude and on other participants to seek major achievements regardless of Washington's politics."

Japan: "Negative Stand by Reagan Could Invite Isolation"

Moderate Yomiuri cautioned October 13 that at Cancun, unlike at "strategic summit conferences" among the advanced countries, "there is a danger of dialogue between the advanced countries and developing countries turning to confrontation if things go wrong..."

"If President Reagan takes a negative stand on energy and monetary problems as he did in his speech at the IMF meeting, dialogue at the meeting could change to criticism and invite U.S. isolation."

Algeria: "U.S. Intransigence Leading to Crisis"

Official weekly El Moujahid of Algiers, out October 9, ran an article headed "North-South Dialogue in the Balance in U.S. Foreign Policy." Subheads read, "The Intransigence of the American Position Toward Developing Countries Is Leading the World Economic Situation Into a Crisis...Group of 77 Needs a Coordinated Stand."

In the magazine's opinion, the Cancun dialogue will be "good for consulting about policies of cooperation between the advanced nations and (developing) ones. But results are not expected in the short run because America, as is very clear, is trying with all its power to cause this dialogue to fail because it does not coincide with the strategy of military pacts and political domination implemented recently by the Reagan Administration."

France: "Reagan Bilateralism--or Third World Global Approach?"

In Paris, left-of-center Le Monde on October 13 quoted Vice President Bush as saying in the Dominican Republic, at the beginning of his Latin American visit, that "the best contribution the United States can make to the developing countries is to help them improve their economies."

The paper asked, "But what exactly will this 'improvement' be, and with what means? Those of U.S. free enterprise, of Mr. Reagan's 'bilateralism,' and the financial orthodoxy of the World Bank? Or the 'global' approach desired by virtually all third world countries?..."

Mexico: U.S. Resorts to Isolationist Policy"

Leftist Proceso magazine on October 13 carried a byliner's article stating that "the Cancun Summit could be the start of a new era in which nations could realize that there is a lot which can be achieved without the United States." He asserted that "the U.S. position can be summarized by President Reagan's remarks that in order for developing countries to do well, the United States should be doing extremely well.

"Thus the United States is resorting to some kind of isolationist policy to restore its economy....This is a wrong attitude, and has been considered as such even by Japan."

Brazil: "Positions Taken Are Irreconcilable"

Rio de Janeiro's business oriented Jornal do Comercio, as reported October 9, quoted Brazilian Chancellor Saraiva Guerreiro as saying that "in Cancun there will only be two important lines: on the one side will be the United States and on the other will be the remaining countries.

"And, since it is known that President Reagan has decided to keep to his current economic policy, which has as its main point high interest rates, one can conclude that the game plan is set since the positions already taken are irreconcilable."

4. The U.S. may surprise the summit with a show of flexibility.

Australia: PM Fraser Sees U.S. "Positive State of Mind"

The Melbourne Age on October 8 carried a political correspondent report stating that "the Reagan Administration was more sympathetic to issues in the North-South dialogue than was generally recognized, Prime Minister Fraser said yesterday. Mr. Fraser said he believed the United States would go to this month's Cancun Summit on North-South issues in a positive frame of mind."

Mexico: "U.S. Cannot Go to Cancun Just to Listen"

Leftist-nationalistic Excelsior of Mexico City on October 8 declared that "Reagan and his team cannot go to Cancun just to listen...We do not want them altruistic or compassionate either..."

Castaneda on U.S. and Global Negotiations

Mexican media on October 13 gave prominent coverage to Foreign Minister Castaneda's October 12 press conference. He was quoted as hoping that the United States would change its position and accept the concept of global negotiations.

FRG: "Washington May Suggest Some Compromise"

Independent General-Anzeiger of Bonn October 14 carried a byliner's view that "the United States is expected to clarify its position before the opening of the summit meeting. Maybe Washington will surprise those who attend by suggesting some compromise that would give global negotiations a chance. Otherwise, President Reagan will find himself in an uncomfortably isolated position in Cancun..."

5. Commonwealth nations, having just met in Melbourne where they issued a call for a new era of North-South relations, look to the Cancun meeting for a substantive dialogue.

Australia: Commonwealth Meeting's "Contribution to Debate"

The conservative Sydney Morning Herald, in an editorial October 9 headed "Toward Mexico," spoke of possible effects the communique issued by the heads of Commonwealth Governments might have on the coming Cancun Summit.

In the newspaper's opinion, the communique "revealed surprisingly wide agreement on a number of issues" and the papers resulting from the conference were "an eloquent, persuasive, intellectually sound contribution to the beginning North-South debate," representing the opinion of one-quarter of the world's nations "on the need for radically structured changes in the world economic system."

New Zealand: "Test of Credibility of Internationalism"

The Auckland Star on October 8 wrote: "Cancun is where the crunch will come in the argument about the economic relationship between nations--between the rich and poor....The 22 world leaders at this summit will have the power to act in significant ways on matters that were a cause of concern in Melbourne (at the Commonwealth meeting). What they say and do in Cancun will be a test of the diminishing credibility of internationalism."

Singapore: "Meeting Must Come to Grips With Obstacles"

The Straits Times, in an editorial October 9 on the Commonwealth governments' meeting, observed that among the Commonwealth members the "North and South countries remain divided over a number of thorny issues as they have at the U.N. But many of the developed members are known to sympathize with the developing countries with regard to the difficulties they face, as is evident in the communique issued at the Melbourne meeting) calling for a new era of constructive economic relations between developed and developing countries.

"It is left to the coming North-South dialogue at Cancun to come to grips with the specific problems and obstacles to improved North-South relations."

Nigeria: "Wiping Out Hunger Can Lead to Better Future"

The Daily Times of Lagos on October 11 praised as positive the resolution adopted by Commonwealth nations supporting the Cancun meeting. It said: "The organization endorsed the objective of the North/South dialogue and the summit scheduled for Cancun... It should not be hard to convince the prosperous of the North that wiping out hunger and deprivation from the South will lead not only to a more peaceful enjoyment of prosperity, but to prospects for a better future for mankind."

6. Beyond these themes were hints of how individual governments might present themselves at the Cancun Summit.

France: "The Policy of the French Government Appears Realistic"

Left-of-center Le Monde of Paris on October 13 said that "the policy of the French Government appears realistic. Its purpose is to provide the third world with something other than the crushing Washington or Moscow alternatives. Mr. Mitterrand's firmness on SS-20 missiles, and for example the French and European offer--a major topic of controversy in the United States--to help revolutionary Granada build a new airport in agreement with Cuba and Mexico, have the same meaning: world security."

Japan Expected to Double Economic Aid

Tokyo's NHK television network reported October 13 that Japan's comprehensive council on security was expected to decide on doubling Japanese economic aid to developing countries within five years since the Government believes that aid to developing countries would contribute to world peace and security as well as to Japanese security.

India: "Expectations at a Modest Level"

Left-of-center Times of India of New Delhi and Bombay held October 9 that "India is approaching the Mexican summit...with cautious optimism and has pegged expectations at a modest level in the face of widespread skepticism.

"It will be satisfied if the summit...signals the start of the long-delayed global negotiations within the U.N. framework. This will be possible only if some common ground is found at the meeting."

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"It will be satisfied if the summit...signals the start of the long-delayed global negotiations within the U.N. framework. This will be possible only if some common ground is found at the meeting."

Philippines: "Meeting Will Show Philippines Not a U.S. Satellite"

The Philippines Daily Express of Manila carried a columnist's assertion on October 10, "The Group of 77 blames the United States for the problems that the Cancun meeting will seek to solve. The Cancun meeting will establish that the Philippines is not an obedient satellite of the United States. Marcos has his own mind."

Handwritten initials/signature in the top left corner.

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THE WHITE HOUSE
WASHINGTON

CANCUN BRIEFING (2) ^{WS}

Tuesday, October 20, 1981 (12:00 - 1:30)

I. PARTICIPANTS

- | | |
|--------------------|-------------------|
| The President | Ambassador Brock |
| The Vice President | Richard V. Allen |
| Secretary Haig | Martin Anderson |
| Secretary Regan | Richard G. Darman |
| Edwin Meese III | Craig L. Fuller |
| James A. Baker III | David R. Gergen |
| Michael K. Deaver | |

II. AGENDA

<u>Time</u>	<u>Subject</u>	<u>Lead</u>
12:10-12:20	Commodities/Trade Overview	Ambassador Brock
12:20-12:30	Q. & A.	M. Anderson <u>et al.</u>
12:30-12:40	Energy Overview	Secy's Haig & Regan
12:40-12:45	Q. & A.	Allen/Anderson <u>et al.</u>
12:45-12:55	Monetary Policy/Finance/ Investment Overview	Secretary Regan
12:55- 1:05	Q. & A.	M. Anderson <u>et al.</u>
1:05- 1:10	Global Negotiations/Opening Statement and related follow-up	Secretary Haig
1:10- 1:15	Q. & A.	R.V. Allen <u>et al.</u>
1:15- 1:30	Approach to bilaterals in general (Note: specific briefing for individual bilaterals will not be done in this meeting)	Secretary Haig

• See Regan papers
• Attain: opp. to seize initiative/leadership 777

C.F.

THE WHITE HOUSE
WASHINGTON

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MEETING WITH THE CANCUN PLANNING GROUP

FO 006-02

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FE 006-01

DATE: October 5, 1981
LOCATION: Cabinet Room
TIME: 3:00 p.m. - 4:00 p.m.
FROM: RICHARD G. DARMAN
CRAIG L. FULLER

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I. PURPOSE

The meeting has been scheduled to review our general approach to the Cancun Summit.

II. BACKGROUND/PURPOSE

The Cabinet Council on Economic Affairs is developing options for your consideration that will, following your decisions, form a Reagan administration program for promoting economic development among developing countries. The program will consist of: (a) a philosophical framework, emphasizing the importance of freer trade, an improved investment climate, and aid that encourages productive/self-sustaining enterprise; and (b) a series of particular initiatives that are consistent with this framework.

The elements of the program will be discussed with you in the next few days.

This meeting has been scheduled to discuss the broader strategic question -- essentially a procedural and political question -- of how to approach the issue of "global negotiations" at the Cancun Summit.

III. THE ISSUE FOR DISCUSSION AT THIS MEETING: HOW TO APPROACH THE QUESTION OF "GLOBAL NEGOTIATIONS"

Your advisers differ on this subject. State is preparing an options paper that may serve as a basis for discussion.

You will recall that: the Ottawa Summit Declaration commits the summit members to "participate in preparations for a mutually acceptable process of global negotiations in circumstances offering the prospects of meaningful progress." The press release from the preparatory Cancun meeting (in which the U.S. participated) states that the Cancun Summit will "facilitate" global negotiations. Many nations now choose to interpret this as a sign or commitment that the U.S. is willing to return to the Global Negotiations preparatory meetings at the U.N.

Options, at this stage, include the following:

- State that the U.S. does not favor U.N.-sponsored "global negotiations" period -- arguing that the U.N. might be an appropriate forum for general discussion (not "negotiation"), but that a practical approach to progress must be centered in appropriate functional organizations (GATT, World Bank, etc.) and in regional organizations (e.g., Caribbean Basin). NOTE: This combination of activities could be referred to by the U.S. as an "acceptable process of global negotiations."

- State that the U.S. does not now favor a return to preparations for global negotiations at the U.N. (for same reasons as above), but that it does favor further discussion of the appropriate basis, agenda, and fora for global negotiations at a follow-on meeting of the Cancun group -- while it will also seek to advance its program for development through GATT, World Bank, regional efforts, etc.

- State that the U.S. cannot now accept "global negotiations" in the sense that has been contemplated in the U.N. preparatory sessions, but that the U.S. would be willing to resume discussions of this topic at the UNGA in exchange for the Cancun participants' acceptance of certain specified conditions. NOTE: Appropriate conditions might include:
 - o assurances that "global negotiations" agenda and procedures will protect the competence, functions, and powers of the specialized agencies and fora (GATT, IBRD, IMF, etc.);
 - o assurances that the "global negotiations" agenda will give greater considerations to the relative contributions made by all states in the areas of opening markets, improving the investment climate, and providing assistance; and
 - o assurances that "global negotiations" agenda items are to be approached in a practical spirit of shared responsibility, rather than a confrontational spirit of bloc politics.

Each of the foregoing options is less than most of the participants at Cancun will want, and less than many expect. This procedural "shortcoming" could be offset somewhat by the seriousness and coherence of the substantive Reagan approach to development that you would advance.

Your advisers seem to differ on both: (a) the political questions as to the effects one or another of these options would have at home and abroad; and (b) the practical questions as to whether or not one or another of these options would best advance your international development program.

IV. PARTICIPANTS

Secretary Haig
Secretary Regan
Edwin Meese III
Ambassador Brock
Ambassador Kirkpatrick
James A. Baker III
Michael K. Deaver
Richard V. Allen
Martin Anderson
Richard G. Darman
Craig L. Fuller
David R. Gergen

V. PRESS PLAN (White House photo only)

VI. SEQUENCE

Mike Deaver has been coordinating the preparation for the Cancun Summit. Once the group is assembled, Mike should be called upon to lead-off the discussion. The sequence would then be as follows:

3:00	Deaver	Introduction
3:05	Regan	Summary of program being developed in Cabinet Council (for <u>information only</u>)
3:15	Haig	Introduction of "Global Negotiations" Issue
to 4:00	Group	Discussion of Global Negotiations Issue

VII. NEXT STEPS

Your reactions and guidance will serve as a basis for further staff work -- and for preparatory consultations with foreign governments prior to Cancun.